



December 7, 2022

The Honorable Mike Flood
U.S. House of Representatives
Washington, D.C.

Dear Congressman Flood:

Capital is the lifeblood for startups and growing companies. It is vitally important that entrepreneurs have knowledge about the range of options available for accessing investment and growth capital, which is why the Small Business & Entrepreneurship Council (SBE Council) is pleased to support the “Connecting Small Businesses with Capital Act.”

Your legislation will help educate entrepreneurs and small business owners about utilizing Regulated Crowdfunding (Reg CF) and Rule 504 of Regulation D to raise capital for their businesses. Resources are available within the Securities and Exchange Commission (SEC) to help business owners and entrepreneurs understand how to raise capital using these methods, but bolstering outreach through collaboration with the Small Business Administration (SBA) and its vast resource partner-network will help bring this important information to many more local entrepreneurs and businesses that need capital to launch or grow.

As you know, Reg CF has grown tremendously over the past three years. Following a multi-year stretch of rulemaking at the SEC, investment crowdfunding is now blossoming and doing what proponents such as SBE Council said it would do – that is, democratizing access to capital. The latest data for 2022 Q3, according to Crowdfund Capital Advisors finds that 55% of all offerings had at least one woman or minority founder, and 81% of all women and minority offerings were successful in their raise compared to an industry-wide average of 69%. In the third quarter of 2022 alone, women, minority and LGBTQ+ founders raised \$46.9 million, representing 47.8% of all the capital funding in Q3, from over 36,000 investors.

In their report, Crowdfund Capital Advisors concludes that this positive news only speaks to the need to build greater awareness of Reg CF as “more needs to be done to make female and minority entrepreneurs aware of the opportunity in investment crowdfunding to further close the gap they face.” The “Connecting Small Business with Capital Act” is an important measure to do just that. Building awareness and providing “how to” information to underrepresented and geographically diverse (including rural America) constituencies will provide an important boost to local and regional economies.

In terms of Reg CF overall (as of September 2022):

- 3500 pre-IPO startups and small businesses from 1,535 cities across 50 states have raised more than \$1.5 billion in capital from 1.5 million investors.
- Approximately 300,000 jobs have been created and supported through Reg CF.
- 500 industries are represented among companies using Reg CF.
- The average cost of a Reg CF campaign is 5.3% of the raise, which is much less than other forms of financing.
- \$3.4 billion in economic stimulus has been created via business expenditures, which mostly stays local.

In order to keep SBA programs and services relevant and effective, they need to offer modern and successful educational materials and information that help small businesses with their most critical needs. Access to capital is an enduring challenge for many small businesses and startups, and providing resources and information about this growing form of funding will allow many to tap into online capital formation to keep the U.S. economy strong, vibrant, innovative and competitive.

Thank you for your leadership, Congressman Flood. SBE Council looks forward to working with you to advance the “Connecting Small Business with Capital Act” into law.

Sincerely,



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